

DEPARTMENT OF ENVIRONMENTAL PROTECTION

American Recovery and Reinvestment Act Wastewater Infrastructure Project Priority Ranking System

The American Recovery and Reinvestment Act (ARRA) will provide Maine with stimulus funds for the Clean Water State Revolving Fund (CWSRF) that is jointly administered by the Maine DEP and the Maine Bond Bank. The CWSRF provides funding for planning, design and construction of municipal wastewater treatment facilities, sewer systems and other water pollution facilities or practices.

To distribute ARRA funds, the Department will use a rating system based on the existing CWSRF method. The primary objective for distributing ARRA is to focus on projects that will realize the most environmental benefit with projects ready to proceed in the shortest time. In doing so, emphasis will be placed on a number of “green” attributes a proposed project may have and, as required by ARRA, at least 20% of available money will be distributed to “green” projects. Additional economic stimulus consideration will be given to legal requirements necessitating a project, the degree of expected environmental success, compatibility with previously identified needs, availability of co-funding and benefits that can be derived from regionalization of water quality improvement efforts.

Given the unique nature of the ARRA funding and the limited amount of money available compared to total wastewater infrastructure needs in Maine, some preliminary restrictions on eligibility are necessary. The following situations may preclude consideration of proposed projects for ARRA funding.

The project was not submitted to the Department prior to January 30, 2009.

The project cannot commence construction by February 2010.

The applicant cannot ensure necessary borrowing capacity to support the project.

Those portions of a project previously approved for funding from other sources.

The CWSRF is a well established program with an existing system for ranking projects based on five environmental priority levels with sub ratings within each. The system results in a point score being assigned that ranges from 10 to 42 points. That point score will be adjusted in consideration of the economic stimulus factors as discussed above. Each adjustment will be in the form of a percent increase to the base point rating. The base points and the adjustments will be summed to obtain a final number of points that will represent the proposed project’s priority score. The priority score will be the order of precedence for offers of funding assistance. The rating system is more fully described in Appendix A. In the event two or more proposed projects are tied with the same number of total points and funding is limited, the ties will be broken using by the relative economic condition of the sponsoring community as reflected in the sewer user fee as a percentage of the median household income.

The State will receive approximately \$29.1 million in ARRA funds that will be available to qualified, high priority projects. As required by ARRA, of this amount, 20%, must be dedicated to “green” projects that include green infrastructure, energy and water

efficiency or other environmentally innovative activities. To accomplish this goal, the Department will first rate all proposed projects, including a “green” factor. The Department will then work down the prioritized list making funding offers to “green” projects or components. Once the 20% funding for “green” projects as specified in ARRA is satisfied, the Department will return to the top of the priority list to distribute the remaining funds in order of ranking. An important consideration is that many proposals for “green” projects will be included in larger projects. For those situations where the total project is not highly rated, the Department will offer funding for only the “green” components and directly associated costs as determined on a case by case basis. The balance of the project will remain on the priority list for subsequent consideration as funds are available.

The ratings will be done in two segments. First, all proposed projects will be scored for environmental ranking. Those projects with higher ratings (21 base points and above) that have a mathematical possibility of receiving available funds will be scored for the other economic stimulus criteria for a final prioritization. The other projects receiving lower base point scores that did not mathematically rate high enough to qualify for ARRA funding offers will be held and included in the Department’s general listing for all wastewater infrastructure needs in the State.

In distributing the available ARRA funds, the Department’s goal is to enable as many high value environmental projects and obtain the greatest geographic distribution as possible. To help accomplish this, a maximum ARRA funding package of \$3,000,000 principle forgiveness and zero interest loans will be made to each jurisdiction having submitted proposed projects. This may be for one larger project or several smaller projects.

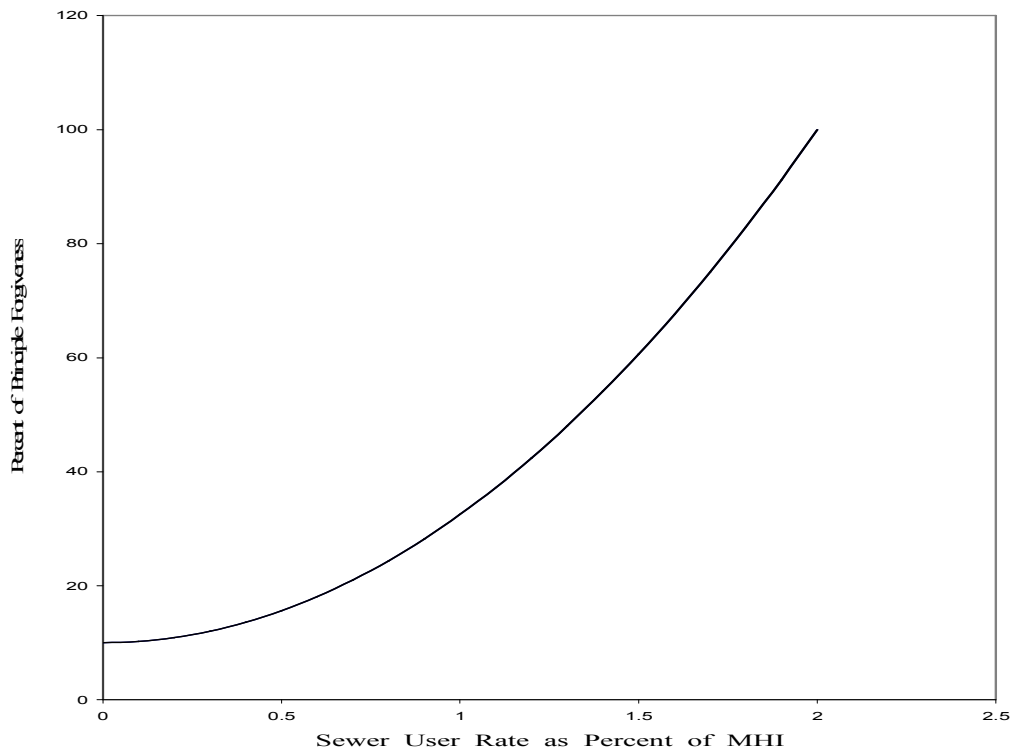
Once projects are selected on a priority basis, offers of funding will be made as a combination of principle forgiveness and no-interest loans. All selected projects will receive a minimum percent of the total cost as principle forgiveness. The Department will establish this at 10%. The Department will ensure that the ARRA requirement that at least 50% of all funds be distributed as additional subsidization such as principle forgiveness is met. The amount of a principle forgiveness offer for each project will be variable depending on the community’s economic circumstances as defined by its existing average sewer user rate as a percentage of the median household income under the Department’s long standing criteria for a community’s ability to pay. The Department acknowledges that this rate does not reflect the cost of the proposed projects. However, existing rates provide a uniform basis of comparison for all projects. (Some projects, such as those for control on non-point sources of pollution, may not have traditionally defined sewer user rates but the Department will use the local sewer user rates as a means of maintaining equity across the board.)

The calculation of the principal forgiveness amount is:

$$\text{Principle forgiveness \%} = 10 \% + \left[\frac{(\text{user rate})^2}{4} \times 90 \% \right]$$

Where the user rate is the average annual residential charge as a percent of the median household income.

This non-linear formula has the effect of providing proportionally greater assistance in the form of principle forgiveness to communities having the higher existing sewer user charges. This is depicted graphically below.



Sewer User Rate as Percent of MHI	0	0.2	0.4	0.6	0.8	1	1.2	1.4	1.6	1.8	2
Percent of Principle Forgiveness	10	10.9	13.6	18.1	24.4	32.5	42.4	54.1	67.6	82.9	100

Appendix A. Description of the ARRA Priority Rating System

A. **Base points rating.** The assignment of base points uses the Municipal Priority Point System having five priorities and three subcategories for each. Each project is assigned a number of points as summarized in the following matrix. The base point system is a long standing system approved by EPA in accordance with CWSRF requirements and per federal regulation requires a public hearing to modify.

Major Priority ¹	Priority Points by Relative Seriousness ²		
	Low	Medium	High
1. Water Supply Protection	30	36	42
2. Lakes Protection	25	31	37
3. Shellfish Protection	20	26	32
4. Water Quality Protection	15	21	27
5. Facility Needs	10	16	22

Priority 1 Water Supply Protection

The project to be funded will eliminate a source of ground or surface water supply contamination. This priority denotes that a potential public health hazard does exist and that without such project alternative sources of water would be required or additional water treatment would be necessary.

Priority 2 Lakes Protection

This priority denotes that the project will eliminate or improve facilities discharging directly or indirectly to lakes and ponds which create detrimental impacts on trophic state.

Priority 3 Shellfishery Protection

This priority includes projects that will eliminate sources of contamination to shell fishing areas. The project will eliminate sources of waste that are partially or wholly responsible for a shellfishery area presently being closed.

Priority 4 Water Quality Concerns

This priority denotes that the project will reduce the level of pollutants to waterbodies of present classification or where a proposed project can be expected to raise quality to the next higher classification.

Priority 5 Facility Needs

This category includes all structural deficiencies of collection, transport and treatment systems. Such things as untreated sewage creating a public health hazard, a project to meet general water quality standards or a treatment plant not meeting effluent criteria would be in this category.

² The existing Municipal Priority Point system also includes guidance for low, medium, and high rankings within the major priority categories. See attachment B Municipal Priority Point system for full details.

B. Additional points to be added to base points. Each of the following factors is rated as a percent of the base points. The various areas are summed and added to the base for a final score.

1. Readiness to proceed. This variable factor is used to rate the speed with which a project can be started with the goal of encouraging projects that can quickly create jobs. The evaluation is based on when the design is to be completed and when construction can be started, with a window of March 2009 through February 2010 for design, and April 2009 through February 2010 for construction. Base points will be increased for each month prior to March 2010 that the project's design is prepared (1 percent per month) and the proposed start of construction (3.5 percent per month). (So a project with a design complete date of April 2009, and a construction start date of June 2009 would be increased by $11\% + 31.5\% = 42.5\%$.)

Design completed - increase in base points up to: 12%
Projected start of construction - increase in base points up to: 38.5%
{Total potential ability to proceed points is 50.5% (1.5 multiplier)}

2. "Green" projects (as statutorily specified in ARRA). Projects assigned this factor include green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. While these can be freestanding projects, often they may be elements of larger projects. To evaluate green components, the dollar value of green elements will be determined as a percent of the total project cost. This percent will be multiplied by a constant value of 0.3 to obtain a percentage increase to the base points.

Increase in base points up to: 30%

3. Regulatory requirements. This factor is applied if the project is necessary to meet a regulatory requirement such as a license condition, implementation of required plan or study (e.g. an approved CSO plan or a toxicity reduction plan), or the requirements of a consent agreement or court order.

Required by consent agreement or court order - increase in base points: 20%
Other specific regulatory requirement - increase in base points: 10%

4. Expected degree of success in addressing pollution concerns. This factor reflects the Department's estimate of how effectively the proposed project will address the local environmental problems for which the base points were assigned in part A. In rating this factor, the Department recognizes that most projects have inherent limitations and water quality problems often have multiple contributing sources.

Added reliability or decreased discharges – increase base points: 5%
Significant reduction of a discharge – increase base points: 10%
Elimination of one of several discharges – increase base points: 15%
Elimination of a significant discharge – increase base points: 20%
Elimination of a sole discharge source – increase base points: 25%

5. Regionalization of work. This factor recognizes that some proposed projects may represent efforts by two or more jurisdictions to solve water quality issues of common concern. Often, such effort can be more efficient and make better use of public resources to find cost-effective regional solutions.

Increase in base points: 10%

6. Previously identified needs. This factor recognizes proposed projects that have been previously identified by the community as long term established needs. Typically, a community will have identified long term established needs in the EPA Clean Water Act Needs Survey.

Increase in base points: 10%

7. Co-funded projects. If an applicant indicates that grant or loan money may be available from other sources (e.g. DOT, CDBG or RD), this has the potential to leverage all available funds with the result of more beneficial projects being done. The Department will consult with the other agencies to determine if there are confirmed grants or loans for the proposed project before assessing these extra points.

Increase in base points: 20%

Attachment B

MUNICIPAL PRIORITY POINT SYSTEM FOR STANDARD CWSRF PROJECTS

The Department of Environmental Protection has established a Priority Point System to place proposed wastewater treatment projects in a listing according to their relative priority. The system contains five (5) basic priorities which relate to the public health hazard created by the wastes or to the use of the waters to which wastes are discharged. In addition to these five basic priorities there is a subsystem with point values of 0, 6 or 12 points that indicates the intensity of the problem as being either low, medium or high.

All five priorities and the subsystems are discussed in detail below.

Base Points

<u>Priority 1</u>	Water Supply Protection	30 Points
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The project to be funded will eliminate a source of ground or surface water supply contamination. This priority denotes that a potential public health hazard does exist and that without such project alternative sources of water would be required or additional water treatment would be necessary.

<u>Priority 2</u>	Lakes Protection	25 Points
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This priority denotes that the project will eliminate or improve facilities discharging directly or indirectly to lakes and ponds which create detrimental impacts on trophic state.

<u>Priority 3</u>	Shellfishery Protection	20 Points
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This priority includes projects that will eliminate sources of contamination to shell fishing areas. The project will eliminate sources of waste that are partially or wholly responsible for a shellfishery area presently being closed.

<u>Priority 4</u>	Water Quality Concerns	15 Points
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This priority denotes that the project will reduce the level of pollutants to waterbodies of present classification or where a proposed project can be expected to raise quality to the next higher classification.

<u>Priority 5</u>	Facility Needs	10 Points
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This category includes all structural deficiencies of collection, transport and treatment systems. Such things as untreated sewage creating a public health hazard, a project to meet general water quality standards or a treatment plant not meeting effluent criteria would be in this category.

PRIORITY SUBSYSTEMS

The priorities of water supply and shellfisheries involve other agencies in the state. The Health Engineering Division of Human Services is responsible for the water supply program in Maine (Priority 1). The Department of Marine Resources manages shellfishing areas (Priority 3). Accordingly these agencies have developed the

subsystems which relate to the intensity of the problem for these priorities. DEP staff has developed the subsystems for priority 2,4 and 5. Inland Fish and Wildlife is the agency responsible for management of inland and anadromous fisheries. DEP receives input from Inland Fish and Wildlife when water quality problems impact these fisheries.

The intensity of the problem (Low, Medium, High) is identified by the subsystem for that category. The agency having jurisdiction applies the subsystem to each project in their category of responsibility. For example, if a category 3. project (Shellfishery Protection) was determined to be a medium intensity problem by the Department of Marine Resources it would be assigned 26 points on the priority list (3-M). Several projects may be in the same category and assigned equal points. The second regular session of the 113th Legislature included median household income, MHI, as a factor in determining funding priority. Projects with the same point assignment will be ordered by MHI with the lowest income community receiving the highest priority within that subsystem category.

Priority Points Assignment

	Low	Medium	High
1. Water Supply Protection	30	36	42
2. Lakes Protection	25	31	37
3. Shellfishery Protection	20	26	32
4. Water Quality Concern	15	21	27
5. Facility Needs	10	16	22

1. Water Supply Protection

Five criteria are used in this subsystem with each having a point value of 1,2, or 3 points. The assignment to a level of intensity is arrived at as follows:

Low Range	1 x 5 = 5	(0-5) Points
Medium Range	2 x 5 = 10	(6-10) Points
High Range	3 x 5 = 15	(11-15) Points

1.Population Served	2,000(1)-10,000(3)
2.Degree of Dependence on Water Source Alternate(1)--No Alternate(3)	
3.Difficulty of Treatment	Proven(1)—Experimental(3)
4.Existing Treatment	Full(1)—None(3)
5.Cost of Treatment	1% of Revenue(1)--10% of Revenue(3)

2. Lakes Protection

Low(0) Facility has minor effect on trophic state of a lake.

Medium(6) Existence of marginal trophic quality or increasing trophic conditions

High(12) Conditions exist in a lake which cause non attainment of class GPA

3. Shellfishery Protection

DEP Project(s)#: _____ Base Points: _____

Evaluation Date: _____ Value Related Points: _____

Town: _____ Total Priority Points: _____

Growing Area: _____ Classification: _____

Value Related Points

Category	L	M	H	Comments
Shellfish Production	Commercial(+3)			Limited(+2) Potential(+1)
Estimated Value of Resource	High(+3)			Medium(+2) Low(+1)
Projected Area Reclassification	General(+3)	Conditional(+2)		Depuration(+1)
Economic Importance	High(+3)			Medium(+2) Low(+1)
State & Local Interest	High(+3)			Medium(+2) Low(+1)
Total Value Related Points _____				

Definition of Terms

Shellfish Production:

Potential	A shellfish growing area is considered to be a <u>potential</u> growing area when all environmental factors (chemical, physical and biological) exist within levels suitable for the propagation of shellfish, or if historical records indicate the area to be one time productive.
Limited	A shellfish area is considered to have <u>limited</u> harvesting when current or past shellfish availability would yield quantities of less than 1/2 bushel per tide and/or less than 1/8 acre in size.
Commercial	A shellfish area is considered to have <u>commercial</u> harvesting when current or past shellfish availability would yield quantities greater than 1/2 bushels per tide and/or greater than 1/8 acre in size.

Estimated Value of Resource:

An estimated dollar value will be assigned to each growing area based on the standing crop and current market value (3.85 x landed value).

Projected Area Reclassification:

General	If after abatement, the projected area reclassification would meet the standards suitable for open harvesting, the highest number of value related points will be given (value judgment).
Conditional	If after abatement, the projected area reclassification would meet the standards suitable for conditional harvesting, then the next highest value related points will be assigned (value judgment).
Depuration	If after abatement, the projected reclassification at best would meet the standards for depuration harvesting, then the lowest number of value related points will be given (value judgment).

Economic Importance:

Value related points will be assigned to those areas where the shellfishing resource is considered to have an economic impact on the local economy. Factors that will be considered are:

- (1) Number of licensed diggers utilizing the resource (past, present and future);
- (2) Other opportunities available for generating personal income;
- (3) Local market value of the resource, current or potential.

State and Local Interest (Shellfish Management Program):

Value related points will be given to those areas where a sincere interest in pollution abatement, shellfish management, aquaculture or other related interests in the marine resources has been demonstrated.

4. Water Quality Concerns

- Low(0) Water quality standards are achieved, however, project could lead to designation of next higher classification.
- Medium(6) Projects which would result in improved habitat, production or other enhancement of the fishery or other tangible improvements to water quality.
- High(12) Water quality standards are not achieved for designated class.

5. Facility Needs

- Low(0) A project with the base point assignment has a relatively minor problem by comparison with others in this category. A deficiency exists or the potential for a public health hazard is evident but the operational impact if any is minor and the public health dangers only slight.

- Medium(6) This sub-priority indicates the existence of a substantial problem that may involve several of the factors in the Facility Needs category. The structural deficiencies cause problems and/or the risk of public health problems is more than slight.
- High(12) The assignment of this level is made only for those facilities having the most severe structural/operational problems and/or a public health hazard exists.